



**Illinois  
Central  
Gulf**

An **IC Industries** Company

William H. Sanders  
Corporate Counsel

**Illinois Central  
Gulf Railroad**  
Two Illinois Center  
233 North Michigan Avenue  
Chicago, IL 60601  
(312) 565 1600

**14957**

RECORDED FOR **FILED** May 8, 1986

**MAY 9 1986 - 1 30 PM**

No. **6-129A054**

Mr. James H. Bayne  
Secretary  
INTERSTATE COMMERCE COMMISSION  
Interstate Commerce Commission  
Washington, D. C. 20423

Date **..MAY..9....1986..**

Fee \$ **...10.00....**

Dear Mr. Bayne:

ICC Washington, D. C.

Enclosed for recordation under the provisions of Section 11303(a) of Title 49 of the U.S. Code are the original and four counterparts of a Security Agreement dated as of May 10, 1986. This Security Agreement is a primary document.

A general description of the railroad cars covered by the enclosed document and intended for use related to interstate commerce is set forth in Schedule A attached to this letter and made a part hereof.

The names and addresses of the parties to the Security Agreement are as follows:

Debtor:	IC Equipment Leasing Company 111 East Wacker Drive, Suite 2700 Chicago, Illinois 60601
Secured Party:	Continental Illinois National Bank and Trust Company of Chicago 231 South LaSalle Street Chicago, Illinois 60697

The Debtor named in the enclosed document is the affiliate of Illinois Central Gulf Railroad Company.

Also enclosed is a check in the amount of \$50.00 covering the required recording fee.

A short summary of the enclosed primary document to appear in the Index follows:

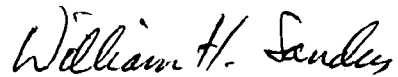
Security Agreement between IC Equipment Leasing Company, as Debtor, 111 East Wacker Drive, Suite 2700, Chicago, Illinois 60601, and Continental National Bank and Trust Company of Chicago, as Secured Party, 231 South LaSalle Street, Chicago, Illinois 60697 covering 163 bulkhead flatcars.

*Copy to Bureau*

- 2 -

It is respectfully requested that all counterparts not needed for the Commission's files be returned to the bearer of this letter with the Commission's recordation stamp shown thereon.

Very truly yours,

A handwritten signature in cursive script that reads "William H. Sanders". The signature is written in dark ink and is positioned above the printed name.

William H. Sanders

SCHEDULE A

DESCRIPTION OF EQUIPMENT

163	100-ton Bulkhead Flatcars marked as follows:
	ICG 978750-978899, inclusive
	ICG 978650-978662, inclusive

Interstate Commerce Commission  
Washington, D.C. 20423

5/9/86

OFFICE OF THE SECRETARY

William H. Sanders  
Illinois Central Gulf Railroad  
233 North Michigan Avenue  
Chicago, Illinois 60601

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 5/9/86 at 1:30am and assigned recordation number(s). 14957 & 14957-A

Sincerely yours,

  
Secretary

Enclosure(s)

14957

REGISTRATION NO. \_\_\_\_\_ Filed 1425

MAY 9 1986 -1 30 PM

INTERSTATE COMMERCE COMMISSION

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SECURITY AGREEMENT

Dated as of May 10, 1986

From

IC EQUIPMENT LEASING COMPANY

DEBTOR

To

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY  
OF CHICAGO

SECURED PARTY

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(163 100-Ton Bulkhead Flatcars)

## SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated as of May 10, 1986 (the "Security Agreement") is from IC EQUIPMENT LEASING COMPANY, an Illinois corporation (the "Debtor"), Debtor's post office address being 111 East Wacker Drive, Suite 2700, Chicago, Illinois 60601 Attention: Treasurer, to CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, (the "Secured Party") whose post office address is 231 So. LaSalle Street, Chicago, Illinois 60697, Attention: Transportation Division.

### R E C I T A L S:

A. The Debtor and the Secured Party have entered into a Participation Agreement dated as of May 10, 1986 (the "Participation Agreement") with Waterloo Railway Company ("Waterloo" or the "Lessee") providing for the commitment of the Secured Party to purchase on the Closing Date (as defined in the Participation Agreement) the Secured Note of the Debtor (the "Note") in the principal amount of \$4,734,608.39. The Note is to be dated May 12, 1986, to bear interest from such date at the varying rates set forth in the Participation Agreement, to be expressed to mature in 30 consecutive quarterly installments of principal and interest, the principal portion thereof to be payable in accordance with the amortization schedule set forth in Schedule A to Exhibit A hereto, with the first such installment to be paid on August 10, 1986, and the balance of such installments at three-month intervals thereafter with the final such payment being due on November 10, 1993, all as further set forth in the Participation Agreement, and to be otherwise substantially in the form attached hereto as Exhibit A.

B. The Note and all principal thereof and interest (and premium, if any) thereon and all additional amounts and other sums at any time due and owing from or required to be paid by the Debtor under the terms of the Note, this Security Agreement or the Participation Agreement are hereinafter sometimes referred to as "Indebtedness hereby secured".

C. All of the requirements of law relating to the transaction contemplated hereby have been fully complied with and all other acts and things necessary to make this Security Agreement a valid, binding and legal instrument for the security of the Note have been done and performed.

SECTION 1. GRANT OF SECURITY.

The Debtor in consideration of the premises and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Note according to its tenor and effect, and to secure the payment of all other Indebtedness hereby secured and the performance and observance of all of the Debtor's covenants and conditions in the Note and in this Security Agreement and in the Participation Agreement contained, does hereby convey, warrant, mortgage, assign, pledge and grant the Secured Party, its successors and assigns, a security interest in all and singular of the Debtor's right, title and interest in and to the properties, rights, interests and privileges described in Sections 1.1, 1.2 and 1.3 hereof, subject to those limitations set forth in Section 1.4 hereof; excluding, however, those Excepted Rights in Collateral as defined in Section 1.6 hereof (all of which properties other than the Excepted Rights in the Collateral, being hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

1.1. Equipment Collateral. Collateral includes the railroad equipment described in Schedule 1 attached hereto and made a part hereof (collectively as described in Schedule 1, the "Equipment", and individually an "Item" or "Item of Equipment"), and which constitutes the Equipment leased and delivered under that certain Equipment Lease dated as of May 10, 1986, (said Equipment Lease being hereinafter referred to as the "Lease") between the Debtor, as lessor, and Waterloo, as lessee; together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Equipment hereinabove described, whether now owned or hereafter acquired, except such thereof as remain the property of the Lessee under the Lease, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of said Equipment, except such thereof as remain the property of the Lessee under the Lease, together with all the rents, issues, income, profits and avails therefrom.

1.2. Rental Collateral. Collateral also includes all rights, title, interest, claims and demands of the Debtor as lessor in, to and under the Lease, including all extensions of the term of the Lease, together with all rights, powers, privileges, options and other benefits of

the Debtor as lessor under the Lease, including, without limitation:

(1) the immediate and continuing right to receive and collect all rental, casualty value payments, insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable or receivable by the Lessor under the Lease pursuant thereto, except those sums reserved as Excepted Rights in Collateral under Section 1.6 hereof;

(2) the right to make all waivers and agreements and to enter into any amendments relating to the Lease or any provision thereof, except with regard to the right of the Debtor to receive those sums reserved as Excepted Rights in Collateral under Section 1.6 hereof; provided that so long as no Event of Default hereunder shall have occurred and be continuing, or an Event of Default hereunder shall have occurred and be continuing due solely to an Event of Default having occurred under Sections 14.1(e) and 14.1(f) of the Lease and the Lessee shall then have otherwise performed all of its obligations under the Lease, the Secured Party agrees that it will not enter into any such waiver, agreement or amendment without the written concurrence of the Debtor; and

(3) subject to those rights granted the Debtor under Section 5.3 hereof, the right to take such action upon the occurrence of an Event of Default under the Lease or an event which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default under the Lease, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or by law, and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under the Lease;

it being the intent and purpose hereof that subject always to Excepted Rights in Collateral (as defined in Section 1.6 hereof), the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive all rental and casualty value payments and other sums for application in accordance with the provisions of Section 4 or 5 hereof, as the case may be, at all times during the period from and

after the date of this Security Agreement until the Indebtedness hereby secured has been fully paid and discharged.

1.3. Guaranty Collateral. Collateral also includes all rights, title, interest, claims and demands of the Debtor as beneficiary under that certain Guaranty dated as of May 10, 1986 (the "Guaranty") executed by Illinois Central Gulf Railroad Company (the "Guarantor") in favor of the Debtor, together with all rights, powers, privileges, options and other benefits of the Debtor as beneficiary under the Guaranty, including, without limitation:

(1) the immediate and continuing right to receive and collect all payments now or hereafter payable or receivable by the Debtor under the Guaranty, except those payments expressly covering sums reserved as Excepted Rights in Collateral under Section 1.6 hereof;

(2) the right to make all waivers and agreements and to enter into any amendments relating to the Guaranty or any provision thereof, except with regard to the right of the Debtor to receive payments expressly covering those sums reserved as Excepted Rights in Collateral under Section 1.6 hereof; provided that so long as the Guarantor shall not have defaulted in the performance of any term or condition contained in the Guaranty, the Secured Party agrees that it will not enter into any such waiver, agreement or amendment without the written concurrence of the Debtor; and

(3) the right to take such action upon the failure of the Guarantor to perform under the Guaranty, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Guaranty or by law, and to do any and all other things whatsoever which the Debtor is or may be entitled to do under the Guaranty;

It being the intent and purpose hereof that subject always to payments expressly covering Excepted Rights in Collateral (as defined in Section 1.6 hereof), the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive all payments and other sums for application in accordance with the provisions of Section 4

or 5 hereof, as the case may be, at all times during the period from and after the date of this Security Agreement until the Indebtedness hereby secured has been fully paid and discharged.

1.4. Limitations to Security Interest. The security interest granted by this Section 1 is subject to (a) the right, title and interest of the Lessee in and to the Equipment under the Lease so long as no Event of Default under the Lease, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default under the Lease shall have occurred and be continuing, (b) the lien of current taxes or assessments not in default (but only if such taxes are entitled to priority as a matter of law), or, if delinquent, the validity of which is being contested in good faith, (c) liens of vendors, mechanics, materialmen and laborers for work or service performed, or materials furnished which are not yet due and payable, (d) liens and charges being contested pursuant to Section 9 of the Lease, (e) rights reserved to or vested in any government, municipality or public authority to control or regulate any Item of Equipment or the use of such Item in any manner which has no material adverse effect on the use of such Item for the Debtor's purposes, and (f) liens evidencing obligations which are subordinated to the lien created by the Security Agreement in favor of the Secured Party, both as to payment and enforcement, on terms satisfactory to the Secured Party or any assignee thereof (collectively "Permitted Encumbrances").

1.5. Duration of Security Interest. The Secured Party, its successors and assigns shall have and hold the Collateral forever; provided, always, however, that such security interest is granted upon the express condition that if the Debtor shall pay or cause to be paid all the Indebtedness hereby secured then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void, and in such event the Secured Party shall (upon the request of the Debtor and at no cost to the Secured Party) execute and deliver to the Debtor such instrument or instruments as may be necessary or appropriate in order to make clear upon the public records the title of the Debtor in and to the Collateral; otherwise it shall remain in full force and effect.

1.6. Excepted Rights in Collateral. There are expressly excepted and reserved from the security interest and operation of this Security Agreement the following described properties, rights, interests and privileges (hereinafter sometimes referred to as the "Excepted Rights in Collateral") and nothing herein or in any other agreement contained shall constitute an assignment of said Excepted

Rights in Collateral to the Secured Party:

(a) all payments of any indemnity under Sections 6, 10.2 and 20 of the Lease or repayments to the Debtor or interest on such payments by reason of payments by the Debtor under Section 21.2 of the Lease which by the terms of any of such sections of the Lease are payable to the Debtor for its own account and all rental increases pursuant to the operation of Section 2.3 of the Lease;

(b) all rights of the Debtor under the Lease to demand, collect, sue for or otherwise obtain all amounts from the Lessee due the Debtor on account of any such indemnities or payments or rental increases pursuant to the operation of Section 2.3 of the Lease, provided that the rights excepted and reserved by this paragraph (b) shall not be deemed to include the exercise of any remedies provided for in Section 14 of the Lease except those contained in Section 14.2(a) thereof; and

(c) any insurance proceeds payable under general public liability policies maintained by the Lessee pursuant to Section 11.1 of the Lease which by the terms of such policies or the terms of such agreement are payable directly to the Debtor for its own account.

SECTION 2. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

2.1. Debtor's Duties. The Debtor covenants and agrees well and truly to perform, abide by and be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth in the Participation Agreement, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of said terms, provisions, restrictions, covenants and agreements were fully set out

herein and as though any amendment or supplement to the Participation Agreement were fully set out in an amendment or supplement to this Security Agreement. The Debtor undertakes to perform only such duties as are expressly and specifically set forth herein and in the other Operative Agreements (as defined in the Participation Agreement) and no implied obligations or covenants shall be read into this Security Agreement or any other Operative Agreements against the Debtor.

2.2. Warranty of Title. The Debtor has the right, power and authority to grant a security interest in the Collateral to the Secured Party for the uses and purposes herein set forth; and the Debtor will warrant and defend the title to the Collateral against all claims and demands of persons claiming by, through or under the Debtor, excepting only this Security Agreement and Permitted Encumbrances. The Debtor also agrees that it will, in its individual capacity and at its own cost and expense, without regard to the provisions of Section 6 hereof, promptly take such action as may be necessary to duly discharge any liens and encumbrances on the Collateral arising by, through or under the Debtor other than this Security Agreement and Permitted Encumbrances. Without limiting the foregoing, there is no financing statement or other filed or recorded instrument in which the Debtor is named and which the Debtor has signed, as debtor or mortgagor, now on file in any public office covering any of the Collateral excepting the financing statements or other instruments filed or to be filed in respect of and for the security interest provided for herein, and excepting the financing statements or other instruments filed pursuant to the Original Security Agreement and the Second Security Agreement (as defined in the Participation Agreement).

2.3. Further Assurances. The Debtor will, upon the request of and at no expense to the Secured Party, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the security interest herein granted in the guaranty payments under the Guaranty and the rents and other sums due and to become due under the Lease, the Debtor covenants and agrees that it will, (i) pursuant to Section 16 of the Lease, notify the Lessee of the assignment hereunder and direct the Lessee to make all payments of such rents and other sums due and to become due under the Lease other than Excepted Rights in Collateral directly to the Secured Party or as the Secured Party may direct in writing, and (ii) notify the Guarantor of the assignment hereunder and direct the Guarantor to make all payments of such

guaranty payments, other than guaranty payments expressly covering Excepted Rights in Collateral, directly to the Secured Party or as the Secured Party may direct in writing.

2.4 After-Acquired Property. Any and all property described or referred to in the granting clauses hereof which is hereafter acquired shall ipso facto, and without any further conveyance, assignment or act on the part of the Debtor or the Secured Party, become and be subject to the security interest herein granted as fully and completely as though specifically described herein, but nothing in this Section 2.4 contained shall be deemed to modify or change the obligation of the Debtor under Section 2.3 hereof.

2.5. Recordation and Filing. The Debtor will cooperate fully with the Lessee and/or the Secured Party in any effort to cause this Security Agreement and all supplements hereto, the Lease and all supplements thereto, and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at no expense to the Secured Party in such manner and in such place as may be requested in writing by the Secured Party in order to fully preserve and protect the rights of the Secured Party hereunder.

2.6. Modifications of the Lease and the Guaranty.  
The Debtor will not:

(a) except in respect of Excepted Rights in Collateral, declare a default or exercise the remedies of the Lessor under, or terminate, modify or accept a surrender of, or offer or agree to any termination, modification or surrender of, the Lease or the Guaranty (except as otherwise expressly provided herein) or, except as permitted under the Lease, by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate created by the Lease or any part thereof;

(b) except in respect of Excepted Rights in Collateral, receive or collect any rental payment under the Lease (or guaranty payments under the Guaranty with respect thereto) prior to the date for payment thereof provided for by the Lease or assign, transfer or hypothecate (other than to the Secured Party hereunder) any rent payment which is then due or to accrue in the future under the Lease in respect of the Equipment; or

(c) except as otherwise provided in the Operative Agreements (as defined in the Participation Agreement) and except in respect of Excepted Rights in Collateral, sell, mortgage, transfer, assign or hypothecate (other than to the Secured Party hereunder) its interest in the Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

2.7. Power of Attorney in Respect of the Lease and the Guaranty. The Debtor does hereby irrevocably constitute and appoint the Secured Party its true and lawful attorney with full power of substitution, for it and in its name, place and stead, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all rents, income, guaranty payments and other sums which are assigned under Sections 1.1, 1.2, and 1.3 hereof (with full power if an Event of Default shall have occurred and be continuing hereunder to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do), and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such rents, guaranty payments and other sums and the security intended to be afforded hereby; provided that so long as no Event of Default hereunder shall have occurred and be continuing, or an Event of Default hereunder shall have occurred and be continuing due solely to an Event of Default having occurred under Sections 14.1(e) and 14.1(f) of the Lease and the Lessee shall then have otherwise performed all of its obligations under the Lease, the Secured Party agrees that it will not enter into any waiver, agreement or amendment of any of the Operative Agreements (as defined in the Participation Agreement) in the name of the Debtor under this power of attorney without the written concurrence of the Debtor.

2.8. Notice of Default. The Debtor further covenants and agrees that it will give the Secured Party prompt written notice of any event or condition constituting an Event of Default under the Lease if the Debtor has actual knowledge of such event or condition.

### SECTION 3. POSSESSION, USE AND RELEASE OF PROPERTY.

3.1. Possession of Collateral. While the Debtor is

not in default hereunder, it shall be permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto, provided, always, that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observance and performance of the terms of this Security Agreement. It is expressly understood that the use and possession of the Equipment by the Lessee under and subject to the Lease shall not constitute a violation of this Section 3.1.

3.2. Release of Property. So long as no default referred to in Section 14 of the Lease has occurred and is continuing to the knowledge of the Secured Party, the Secured Party shall execute a release in respect of any Item of Equipment designated by the Lessee for settlement of casualty value pursuant to Section 11 of the Lease upon receipt from the Lessee of written notice designating the Item of Equipment in respect of which the Lease will terminate and the receipt from the Lessee of all sums payable for such Item of Equipment in compliance with Section 11 of the Lease.

3.3. Protection of Purchaser. No purchaser in good faith of property purporting to be released under Section 3.2 hereunder shall be bound to ascertain the authority of the Secured Party to execute and release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any item or unit of the Collateral be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

SECTION 4. APPLICATION OF ASSIGNED RENTALS AND CERTAIN OTHER MONEYS RECEIVED BY THE SECURED PARTY.

4.1. Application of Rents and Other Payments. As more fully set forth in Section 1.2 hereof, the Debtor has hereby granted to the Secured Party a security interest in certain rents, issues, profits, income and other sums due and to become due under the Lease in respect of the Equipment and certain guaranty payments under the Guaranty covering the same as security for the Note. So long as no Event of Default as defined in Section 5 hereof has occurred and is continuing (in which event Section 4.2 shall be applicable):

(a) The amounts from time to time received by the Secured Party which constitute payment by the Lessee under the Lease of the installments of rental under the Lease and payments by the Guarantor under the Guaranty covering said installments shall be applied first, to the payment of the installments of principal and interest (and in each case first to interest and then to principal) on the Note which have matured or will mature on or before the due date of the installments of rental which are received by the Secured Party, second, to the payment of other amounts, if any, then due and owing the Secured Party, and then the balance, if any, of such amounts shall be paid to or upon the order of the Debtor not later than the first business day following the receipt thereof;

(b) The amounts from time to time received by the Secured Party which constitute settlement by the Lessee of the "Casualty Value" for any Item of Equipment pursuant to Section 11 of the Lease and payments by the Guarantor under the Guaranty covering the same shall be applied by the Secured Party as follows:

(i) First, to the payment of an amount, if any, equal to the accrued and unpaid interest on that portion of the Note to be prepaid pursuant to the following subparagraph;

(ii) Second, an amount equal to the Loan Value of the Item of Equipment for which settlement is then being made shall be applied to the prepayment of the Note so that each of the remaining installments of the Note shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of the Note immediately prior to the prepayment; and

(iii) Third, the balance, if any, of such amounts held by the Secured Party after making the applications provided for by the preceding subparagraphs (i) and (ii) shall be released to or upon the order of the Debtor on the date of payment of the amounts provided in the preceding clauses (i) and (ii).

For purposes of this Section 4.1(b), the "Loan Value" in respect of any Item of Equipment shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to the Total Cost (as defined in the "Original Participation Agreement" referred to in Recital A of the

Participation Agreement) of such Item of Equipment for which settlement is then being made and the denominator of which is the Total Equipment Cost (as defined in the "Original Participation Agreement" referred to in Recital A of the Participation Agreement) of all Items of Equipment then subject to the Lease (including the Total Cost of such Item of Equipment for which settlement is then being made) times (B) the unpaid principal amount of the Note immediately prior to the prepayment provided for in this Section 4.1(b) (after giving effect to all prior payments of installments of principal made or to be made in connection with the prepayment provided for in this Section 4.1(b));

(c) The amounts received by the Secured Party from time to time which constitute proceeds of casualty insurance maintained by the Lessee, in respect of the Equipment shall be held by the Secured Party as a part of the Collateral and shall be applied by the Secured Party from time to time to any one or more of the following purposes:

(i) So long as no Event of Default under the Lease has occurred and is continuing to the knowledge of the Secured Party, the proceeds of such insurance shall, if the Item of Equipment is to be repaired, be released to the Debtor to reimburse or pay the Lessee for expenditures made for such repair upon receipt by the Secured Party of a certificate of an authorized officer of the Lessee to the effect that any damage to such Item in respect of which such proceeds were paid has been fully repaired; and

(ii) If the insurance proceeds shall not have been released to the Debtor pursuant to the preceding paragraph (i) within 180 days from the receipt thereof by the Secured Party, or if within such period the Lessee shall have notified the Secured Party in writing that the Lease is to be terminated in respect of such Item in accordance with the provisions of Section 11.2 of the Lease, then so long as no Event of Default hereunder has occurred and is continuing to the knowledge of the Secured Party, the insurance proceeds shall be applied by the Secured Party as follows:

(A) First, to the prepayment of the Note, all in the manner and to the extent provided for by Section 4.1(b) hereof; and

(B) Second, the balance, if any, of such insurance proceeds held by the Secured Party after

making the applications provided for by the preceding subparagraph (A) shall be released to or upon the order of the Debtor on the date of such prepayment of the Note.

4.2. Default. If an Event of Default referred to in Section 5 hereof has occurred and is continuing, all amounts received by the Secured Party pursuant to Section 1 hereof shall be applied in the manner provided for in Section 5.7 in respect of proceeds and avails of the Collateral.

#### SECTION 5. DEFAULTS AND OTHER PROVISIONS.

5.1. Events of Default. The term "Event of Default" for all purposes of this Security Agreement shall mean one or more of the following:

(a) Default in payment of an installment of the principal of, or interest on, the Note when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for prepayment or by acceleration or otherwise, and such default shall continue unremedied for five business days;

(b) An Event of Default (as defined in the Lease) shall have occurred and be continuing under the Lease;

(c) Default on the part of the Debtor in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor under this Security Agreement or the Participation Agreement, and such default shall continue unremedied for 30 days after written notice from the Secured Party to the Debtor specifying the default and demanding the same to be remedied;

(d) Any representation or warranty on the part of the Debtor made herein or in the Participation Agreement or in any report, certificate, financial or other statement furnished by the Debtor in connection with this Security Agreement, the Lease or the Participation Agreement, or the transactions contemplated therein, shall prove to have been false or misleading in any material respect when made;

(e) Any claim, lien or charge (other than Permitted Encumbrances and liens, charges and

encumbrances which the Lessee is obligated to discharge under Section 9 of the Lease) shall be asserted against or levied or imposed upon the Equipment which is prior to or on a parity with the security interest granted hereunder, and such claim, lien or charge shall not be discharged or removed (or bonded in a manner reasonably satisfactory to the Secured Party) within thirty calendar days after written notice from the Secured Party or the holder of any Note to the Debtor and the Lessee demanding the discharge or removal thereof.

(f) The Debtor or the Guarantor shall (i) not pay, or admit in writing its inability to pay, its debts generally as they become due, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its property, (iv) institute any proceeding seeking an order for relief under the Federal Bankruptcy Code or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (v) take any corporate action to authorize or effect any of the foregoing actions set forth in this Section 5.1.(f) or (vi) fail to contest in good faith any appointment or proceeding described in Section 5.1(g) hereof;

(g) Without the application, approval or consent of the Lessee, the Debtor or the Guarantor, a receiver, trustee, examiner, liquidator or similar official shall be appointed for the Lessee, the Debtor or the Guarantor, respectively, or any substantial part of its property, or a proceeding described in Section 5.1(f)(iv) shall be instituted against the Lessee, the Debtor or the Guarantor, and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of 60 consecutive days; or

(h) The Guaranty shall cease to be in full force and effect in accordance with its terms for any reason whatsoever.

5.2. Secured Party's Rights. The Debtor agrees that when any Event of Default as defined in Section 5.1 has occurred and is continuing, but subject always to Sections 5.3 and 6 hereof, the Secured Party shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of Illinois, and without limiting the foregoing, the Secured Party may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute.

(a) The Secured Party or the holder of the Note may, by notice in writing to the Debtor declare the entire unpaid balance of the Note to be immediately due and payable, and thereupon all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable;

(b) Subject always to the rights of the Lessee under the Lease, provided the same is not then in default, the Secured Party personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Debtor, with or without notice, demand, process of law or legal procedure, if this can be done without breach of the peace, and search for, take possession of, remove, keep and store the same, or use and operate or lease the same until sold;

(c) Subject always to the rights of the Lessee under the Lease, provided the same is not in default, the Secured Party may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor and the Lessee once at least ten days prior to the date of such sale, and any other notice which may be required by law,

sell and dispose of the Collateral, or any part thereof, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Secured Party may determine, and at any place (whether or not it be the location of the Collateral or any part thereof) designated in the notice above referred to; provided, however, that any such sale shall be held in a commercially reasonable manner. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Secured Party or the holder of the Note, or of any interest therein, or the Debtor may bid and become the purchaser at any such sale;

(d) Subject always to the rights of the Lessee under the Lease, provided the same is not then in default, the Secured Party may proceed to protect and enforce this Security Agreement and the Note by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral or any part thereof, or subject to the provisions of Section 6 hereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law; and

(e) Subject always to the rights of the Lessee under the Lease, provided the same is not then in default, the Secured Party may proceed to exercise all rights, privileges and remedies of the Debtor under the Lease and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party.

5.3. Certain Rights of the Debtor on the Occurrence of an Event of Default Under the Lease. If an Event of Default under the Lease (other than an Event of Default resulting from an event referred to in Section 14.1(e) or (f) thereof) or under Section 5.1(a) hereof shall have occurred and be continuing, the Secured Party shall give the Debtor not less than ten days' prior written notice of the date (the "Enforcement Date") on which the Secured Party will exercise any remedy or remedies pursuant to

Section 5.2 hereof. If an Event of Default under the Lease (other than an Event of Default resulting from an event referred to in Section 14.1(e) or (f) thereof), and any resulting default under Section 5.1 hereof, shall have occurred and be continuing, the Debtor shall have the following rights hereunder:

(a) Right to Cure. In the event of the occurrence of an Event of Default pursuant to Section 14.1(a) or 14.1(c) of the Lease (or both) resulting from the failure of the Lessee to pay any sums due thereunder, or to observe or perform any other of its covenants, conditions and agreements contained in any of the Operative Agreements, the Debtor may, prior to the Enforcement Date, in the case of an Event of Default pursuant to said Section 14.1(a) (and a resulting default hereunder), pay to the Secured Party an amount equal to any principal and interest (including interest, if any, on overdue payments of principal and interest) then due and payable on the Note, and in the case of an Event of Default pursuant to said Section 14.1(c) pay any sums necessary and effective to accomplish the observance or performance of the covenant, condition or agreement which the Lessee has failed to observe or perform, such sums to be paid to the party entitled to receive the same (including interest, if any, thereon), or otherwise provide for the performance of such undertaking of the Lessee and any such payment or performance by the Debtor under this Section 5.3(a) shall be deemed to cure any such Event of Default under the Lease and any Event of Default hereunder resulting therefrom (including, without limitation, an Event of Default under Section 5.1(a) hereof) which would otherwise have arisen on account of such non-payment, non-observance or non-performance by the Lessee under the Lease; provided, however, that the Debtor may not exercise such right in respect of more than six consecutive Fixed Rental (as defined in the Lease) payment defaults or in any event more than a total of eight times throughout the term of the Lease in respect of Fixed Rental payment defaults.

The Debtor shall not, by exercising the right to cure any such Event of Default, obtain any lien, charge or encumbrance of any kind on any of the Collateral for or on account of costs or expenses incurred in connection with the exercise of such right nor shall any claims of the Debtor against the Lessee or any other party for the repayment of such costs or

expenses impair the prior right and security interest of the Secured Party in and to the Collateral. Upon such payment by the Debtor of the amount of principal and interest then due and payable on the Note, the Debtor shall be subrogated to the rights of the Secured Party in respect of any Fixed Rental which was overdue at the time of such payment and interest payable by the Lessee on account of its being overdue, and therefore, if no other Event of Default shall have occurred and be continuing and if all principal and interest payments due on the Note have been paid at the time of receipt by the Secured Party of such Fixed Rental and such interest, the Debtor shall be entitled to receive such Fixed Rental and such interest upon receipt thereof by the Secured Party; provided that (i) in the event the principal and interest on the Note shall have become due and payable pursuant to Section 5.2(a) hereof, such subrogation shall, until principal of and interest on the Note shall have been paid in full, be subordinate to the rights of the Secured Party in respect of such payment of Fixed Rental and such interest prior to receipt by the Debtor of any amount pursuant to such subrogation, and (ii) the Debtor shall not be entitled to seek to recover any such payment (or any payment in lieu thereof) except pursuant to the foregoing right of subrogation.

The exercise by the Debtor of its rights set forth herein in accordance with the provisions hereof shall cure any Event of Default cured by the exercise of such rights nunc pro tunc.

(b) Option to Prepay Note. In addition to the rights of the Debtor granted in the Note and whether or not the Debtor shall then have the right to cure an Event of Default under the Lease pursuant to Section 5.3(a) above, the Debtor may, if an Event of Default has occurred and is continuing which is the result of an Event of Default under the Lease, at its option prepay the Note, without premium or penalty, by payment of the entire unpaid principal amount thereof, together with accrued interest thereon to the date of prepayment; provided, however, that if, as a consequence thereof, any "Eurodollar Loan" is paid on any date other than the last day of the "Eurodollar Interest Period" in effect with respect thereto, it is recognized that the Debtor may be obligated to indemnify the Secured Party pursuant

to Section 2.1(b)(vii) of the Participation Agreement as a consequence of such prepayment (as said terms are defined in the Participation Agreement).

5.4. Acceleration Clause. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement, the principal of the Note, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Note and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Note including principal and interest thereof out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in cash.

5.5. Waiver by Debtor. To the extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Collateral or any part thereof prior to any sale or sales thereof to be made pursuant to any provision herein contained, or pursuant to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every person, except decree or judgment creditors of the Debtor acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

5.6. Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold, and shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns (subject, however, to the then existing rights, if any, of the Lessee under the Lease); provided however, that nothing in this Agreement shall operate to deprive the Debtor of title to the Collateral prior to any sale or sales thereof made pursuant to any provision herein contained, or pursuant to the decree, judgment or order of any court of competent jurisdiction.

5.7. Application of Proceeds. The proceeds and/or avails of the Collateral, other than proceeds pursuant to Section 4.1(b) hereof absent an Event of Default, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be as soon as practicable after the receipt thereof paid to and applied as follows:

(a) First, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and reasonable attorneys' fees, incurred or made hereunder by the Secured Party, or the holder of the Note, and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) Second, to the payment to the holder of the Note of the amount then outstanding on the Note for principal, interest and other amounts due the Secured Party, if any; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Note, then with application to be made, first, to the unpaid interest thereon, second, to any unpaid amounts due the Secured Party, if any, thereon, and third, to unpaid principal thereof; such application to be made upon presentation of the Note, and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid; and

(c) Third, to the payment of the surplus, if any, to the Debtor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

5.8. Discontinuance of Remedies. In case the Secured Party shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, then and in every such case the Debtor, the Secured Party and the holder of the Note shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

5.9. Cumulative Remedies. No delay or omission of the Secured Party or of the holder of the Note to exercise any right or power arising from any default or Event of Default under this Agreement shall exhaust or impair any such right or power or prevent its exercise during the continuance thereof. No waiver by the Secured Party, or the holder of the Note, of any such default or Event of Default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party or holder of the Note be required to first look to, enforce or exhaust such other or additional security, collateral or guaranty.

#### SECTION 6. LIMITATIONS OF LIABILITY.

Except as otherwise provided in Section 2.2 hereof, anything in this Security Agreement to the contrary notwithstanding, neither the Secured Party nor the holder of the Note nor the successors or assigns of any of said persons, shall have any claim, remedy or right to proceed against the Debtor in its individual corporate capacity or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of the Debtor; for the payment of any deficiency or any other sum owing on account of the indebtedness evidenced by the Note or for the payment of any liability resulting from the breach of any representation, agreement or warranty of

any nature whatsoever in this Security Agreement or in the Participation Agreement, from any source other than the Collateral, including the sums due and to become due under the Lease and the Guaranty; and the Secured Party by the execution of this Security Agreement and the holder of the Note by acceptance thereof, waive and release any personal liability of the Debtor in its individual corporate capacity and any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of the Debtor for and on account of such indebtedness or such liability, and the Secured Party and the holder of the Note agree to look solely to the Collateral, including the sums due and to become due under the Lease and the Guaranty for the payment of said indebtedness or the satisfaction of such liability; provided, however, in the event of a default under this Security Agreement nothing herein contained shall limit, restrict or impair the rights of the holder of the Note to accelerate the maturity of the Note, to bring suit and obtain judgment against the Debtor on the Note or to exercise all rights and remedies provided under this Security Agreement, if so required to realize upon the Collateral; and provided, further, that nothing herein contained shall limit, restrict or impair any claim, remedy or right of the Secured Party or such holder with respect to any suit, action or other proceeding (whether at law or in equity) against the Debtor for any loss, damage or other liability arising out of (i) the breach of any representation or warranty made by the Debtor under the Participation Agreement or the Security Agreement or (ii) the failure of the Debtor to perform fully any covenant of the Debtor set forth in the Participation Agreement or the Security Agreement.

#### SECTION 7. MISCELLANEOUS.

7.1. Registration and Execution. The Note shall be registered as to principal and interest and shall be signed on behalf of the Debtor by its President or any Vice President or any other officer of the Debtor who, at the date of the actual execution thereof, shall be a proper officer to execute the same.

7.2. Payment of the Note. (a) The principal of, and premium, if any, and interest on the Note shall be payable by wire transfer of immediately available funds, in the case of the original Secured Party, or as such Secured Party shall otherwise designate, and in the case of all other holders of the Note, to such bank or trust company in the continental United States for the account of such holder as the holder shall designate to the Debtor from time to time in writing, and if no such designation is in effect, by check, duly mailed, by first class mail, postage prepaid, or delivered to such holder at its address appearing on the Register as defined in Section 7.3. All payments so made

shall be valid and effective to satisfy and discharge the liability upon the Note to the extent of the sums so paid. Each holder (or the person for whom such holder is a nominee) by its acceptance of the Note agrees that, before selling, transferring or otherwise disposing of the Note, it will present the Note to the Debtor for transfer and notation as provided in Sections 7.4 and 7.5.

(b) All amounts constituting payment of the installments of rental under the Lease or Casualty Value or payment under the Guaranty covering the same received by the Secured Party and applied on the Note pursuant to Section 4 or 5 hereof shall be valid and effective to satisfy and discharge the liability upon such Note to the extent of the amounts so received and applied.

7.3. The Register. The Debtor will keep at its principal office a register for the registration and transfer of the Note (herein called the "Register"). The name and address of the holder of the Note, the transfers of the Note and the names and addresses of the transferees of the Note shall be registered in the Register.

7.4. Transfers and Exchanges of Note; Lost or Mutilated Note.

(a) The holder of the Note may transfer such Note upon the surrender thereof at the principal corporate office of the Debtor. Thereupon, the Debtor shall execute in the name of the transferee a new Note in principal amount equal to the unpaid principal amount of the Note so surrendered and deliver such new Note as instructed by such holder to such transferee.

(b) If the Note is presented or surrendered for exchange or transfer it shall be accompanied (if so required by the Debtor) by a written instrument or instruments of assignment or transfer, in form satisfactory to the Debtor, duly executed by the registered holder or by its attorney duly authorized in writing. The Debtor shall not be required to make a transfer or an exchange of the Note for a period of ten days preceding any installment payment date with respect thereto.

(c) No notarial act shall be necessary for the transfer or exchange of the Note pursuant to this Section 7.4, and the holder of any Note issued as provided in this Section 7.4 shall be entitled to any and all rights and privileges granted under this Security Agreement to the holder of the Note.

(d) In case the Note shall become mutilated or be destroyed, lost or stolen, the Debtor, upon the written

request of the holder thereof, shall execute and deliver a new Note in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. The applicant for a substituted Note shall furnish to the Debtor and the Secured Party such security or indemnity as may be required by the Debtor and the Secured Party to save them harmless from all risks, and the applicant shall also furnish to the Debtor such mutilated Note or evidence to its satisfaction of the destruction, loss or theft of the applicant's Note and of the ownership thereof. In case the Note shall become mutilated or be destroyed, lost or stolen after it has matured or within three months prior to its maturity, the Debtor may, instead of issuing a substituted Note, pay or authorize the payment of the same in accordance with the provisions thereof (without surrender thereof except in the case of a mutilated Note), if the applicant for such payment shall furnish to the Debtor such security or indemnity as the Debtor may require to save it harmless, and shall furnish the mutilated Note or evidence to the satisfaction of the Debtor of the destruction, loss or theft of such Note and the ownership thereof. If the original Secured Party, or its nominee, is the owner of any such lost, stolen or destroyed Note, then the affidavit of the president, vice president, treasurer or assistant treasurer of such original Secured Party setting forth the fact of loss, theft or destruction and of its ownership of the Note at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof and no indemnity shall be required as a condition to execution and delivery of a new Note other than the written agreement of such original Secured Party to indemnify the Debtor for any claims or action against it (and for its attorney's fees) resulting from the issuance of such new Note or the reappearance of the old Note.

#### 7.5. The New Notes

(a) Each new Note (herein, in this Section 7.5, called a "New Note") issued pursuant to Section 7.4(a) or (d) in exchange for or in substitution or in lieu of an outstanding Note (herein, in this Section 7.5, called an "Old Note") shall be dated the date of such Old Note. The Debtor shall mark, at the direction of the Secured Party and on the basis of information provided by the Secured Party, on each New Note the dates to which principal and interest have been paid on such Old

Note and the amounts of all payments and prepayments of principal previously made on such Old Note which are allocable to such New Note. Interest shall be deemed to have been paid on such New Note to the date on which interest shall have been paid on such Old Note, and all payments and prepayments of principal marked on such New Note, as provided above, shall be deemed to have been made thereon.

(b) Upon the issuance of a New Note pursuant to Section 7.4(a) or (d), the Debtor may require the payment of a sum to reimburse it for, or to provide it with funds for, the payment of any tax or other governmental charge or any other charges and expenses connected therewith which are paid or payable by the Debtor.

(c) All New Notes issued pursuant to Section 7.4(a) or (d) in exchange for or in substitution or in lieu of Old Notes shall be valid obligations of the Debtor evidencing the same debt as the Old Notes and shall be entitled to the benefits and security of this Security Agreement to the same extent as the Old Notes.

(d) Upon the issuance of any Note pursuant to this Security Agreement, the Debtor will prepare and deliver to the Secured Party an amortization schedule with respect to such Note setting forth the amount of the installment payments to be made on such Note after the date of issuance thereof and the unpaid principal balance of such Note after each such installment payment. The Secured Party shall deliver, or send by first-class mail, postage prepaid, one copy of the applicable schedule to the holder of such Note at its address set forth in the Register.

7.6. Cancellation of Note. The Note when surrendered for the purpose of payment, redemption, transfer or exchange shall be delivered to the Debtor for cancellation or, if surrendered to the Debtor, shall be cancelled by it, and no Note shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Security Agreement.

7.7. Registered Owner. The person in whose name the Note shall be registered shall be deemed and treated as the owner thereof for all purposes of this Security Agreement and the Debtor shall not be affected by any notice to the contrary. Payment of or on account of the principal

of, premium, if any, and interest on the Note shall be made only to or upon the order in writing of such registered owner. For the purpose of any request, direction or consent hereunder, the Debtor may deem and treat the registered owner of the Note as the owner thereof without production of the Note.

7.8. Successors and Assigns. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all the covenants, promises and agreements in this Security Agreement contained by or on behalf of the Debtor or by or on behalf of the Secured Party, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

7.9. Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision herein contained unenforceable or invalid, provided that nothing contained in this Section 7.9 shall be construed to be in derogation of any rights or immunities of the Debtor in its individual capacity under Section 6 hereof, or to amend or modify any limitations or restrictions on the Secured Party or the holder of the Note or their respective successors or assigns under said Section 6.

7.10. Communications. All communications provided for herein shall be in writing and shall be deemed to have been given when delivered personally or otherwise actually received at the following addresses:

If to the Debtor: IC Equipment Leasing Company  
111 East Wacker Drive, Suite 2700  
Chicago, Illinois 60601  
Attention: Treasurer

If to the Secured  
Party: Continental Illinois National  
Bank and Trust Company  
231 South LaSalle Street  
Chicago, Illinois 60697  
Attention: Transportation  
Division

If to the holder      At its address for notices set  
of the Note:          forth in the Register

or to any such party at such other address as such party may designate by notice duly given in accordance with this Section to the other parties.

7.11. Amendments. This Security Agreement may, from time to time and at any time, be amended or supplemented by an instrument or instruments in writing executed by the parties hereto.

7.12. Release. The Secured Party shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all Indebtedness secured hereby has been fully paid or discharged.

7.13. Governing Law. This Security Agreement and the Note shall be construed in accordance with and governed by the laws of the State of Illinois; provided, however, that the Secured Party shall be entitled to all the rights conferred by any applicable Federal statute, rule or regulation.

7.14. Counterparts. This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Security Agreement.

7.15. Headings. Any headings or captions preceding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Security Agreement nor shall they affect its meaning, construction or effect.

IN WITNESS WHEREOF, the Debtor has caused this Security Agreement to be executed and delivered as of the day and year first above written.

(CORPORATE SEAL)

IC EQUIPMENT LEASING COMPANY

ATTEST:

L. B. Moore  
Secretary

By Paul M. Hume  
Its VICE PRESIDENT

STATE OF ILLINOIS       )  
                              )  
COUNTY OF COOK        )   SS

On this 8th day of May, 1986,  
before me personally appeared Paul M. O'Hara,  
to me personally known, who being by me duly sworn, says  
that he is a Vice President of IC  
EQUIPMENT LEASING COMPANY, that one of the seals affixed to  
the foregoing instrument is the corporate seal of said  
corporation, that said instrument was signed on behalf of  
said corporation by authority of its Board of Directors; and  
he acknowledged that the execution of the foregoing  
instrument was the free act and deed of said corporation.

Olga Szczyk  
Notary Public

(SEAL)

My Commission expires: Sept. 5, 1989

SCHEDULE 1  
(to Security Agreement)

DESCRIPTION OF EQUIPMENT

163            100-Ton Bulkhead Flatcars manufactured by  
                 Portec, Inc. and marked and numbered  
                 as follows:  
                 ICG 978750-978899, inclusive  
                 ICG 978650-978662, inclusive

EXHIBIT A  
(to Security Agreement)

IC EQUIPMENT LEASING COMPANY

SECURED NOTE

No. R-1

May 12, 1986

\$4,734,608.39

FOR VALUE RECEIVED, the undersigned, IC EQUIPMENT LEASING COMPANY (hereinafter referred to as the "Company"), promises to pay to

CONTINENTAL ILLINOIS NATIONAL BANK  
AND TRUST COMPANY OF CHICAGO  
231 South LaSalle Street  
Chicago, Illinois 60697

or registered assigns,

the principal sum of \$4,734,608.39

in installments as follows:

Thirty (30) installments of principal and interest, the amount of the principal portion of each which respective installment shall be equal to the amount therefor specified on Schedule A attached hereto and made a part hereof, payable on August 10, 1986 and on the tenth day of each November, February, May and August thereafter to and including November 10, 1993 together with interest on the unpaid principal amount hereof from the date hereof until paid, payable at the rates and on the dates set forth in the Participation Agreement hereinafter referred to; plus interest on overdue principal and (to the extent legally enforceable) on overdue interest at a rate per annum equal to one per cent (1%) in excess of the Prime Rate (as defined in the Participation Agreement).

This Note is the Secured Note of the Company (the "Note") issued under and pursuant to the Participation Agreement dated as of May 10, 1986 (the "Participation Agreement") among the Company, Waterloo Railway Company (the "Lessee"), and Continental Illinois National Bank and Trust Company of Chicago (the "Secured Party"), and also issued

under and secured by that certain Security Agreement dated as of May 10, 1986 (the "Security Agreement") from the Company to the Secured Party. Reference is made to the Security Agreement and all supplements and amendments thereto executed pursuant to the Security Agreement for a description of the Collateral (as defined in the Security Agreement), the nature and extent of the security and rights of the Secured Party, the holder or holders of the Note and of the Company in respect thereof, and the circumstances under which this Note may be prepaid in part.

This Note may be prepaid by the Company upon not less than ten business days prior written notice given in the manner provided in Section 7.10 of the Security Agreement in an amount equal to the entire unpaid principal plus accrued interest to the date of prepayment, but without premium. Reference is made to the Participation Agreement for a statement of the terms and conditions under which this Note may be prepaid or its maturity accelerated.

The terms and provisions of the Security Agreement and the rights and obligations of the Secured Party and the rights of the holders of the Note may be changed and modified to the extent permitted by and as provided in the Security Agreement.

This Note is a registered Note and is transferable only by surrender thereof at the principal office of the Company, duly endorsed or accompanied by a written instrument of transfer, duly executed by the registered holder of this Note or his attorney duly authorized in writing.

This Note and the Security Agreement are governed by and construed in accordance with the laws of the State of Illinois.

Anything in this Note to the contrary notwithstanding, neither the Secured Party nor any holder hereof, nor their respective successors or assigns, shall have any claims, remedy or right to proceed against the Company in its individual corporate capacity or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of the Company for the payment of any deficiency or any other sum owing on account of the indebtedness evidenced by this Note or for the payment of any liability resulting from the breach of any representation, agreement or warranty of any nature whatsoever, from any source other than the collateral under the Security Agreement (the "Collateral"); and the

Secured Party and the holder of this Note by its acceptance hereof waive and release any personal liability of the Company in its individual corporate capacity, and any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of the Company for and on account of such indebtedness or such liability; and the Secured Party and the holder of this Note agree to look solely to the Collateral for the payment of said indebtedness or the satisfaction of such liability; provided, however, in the event of a default under the Security Agreement nothing herein contained shall limit, restrict or impair the rights of the Secured Party or such holder to accelerate the maturity of this Note, to bring suit and obtain a judgment against the Company on this Note or to exercise all rights and remedies provided under the Security Agreement, if required to realize upon the Collateral; and provided, further, that nothing herein contained shall limit, restrict or impair any claim, remedy or right of the Secured Party or such holder with respect to any suit, action or other proceeding (whether at law or in equity) against the Company for any loss, damage or other liability arising out of (i) the breach of any representation or warranty made by the Company under the Participation Agreement or the Security Agreement or (ii) the failure of the Company to perform fully any covenant of the Company set forth in the Participation Agreement or the Security Agreement.

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed.

IC EQUIPMENT LEASING COMPANY

By \_\_\_\_\_  
Its \_\_\_\_\_

NOTICE

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933 OR UNDER THE SECURITIES LAWS OF ANY STATE. THIS NOTE MAY NOT BE OFFERED OR SOLD UNLESS IT IS REGISTERED UNDER THE APPLICABLE SECURITIES LAWS OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

SCHEDULE A

PRINCIPAL AMORTIZATION SCHEDULE

<u>Date Due</u>	<u>Total Principal Payment</u>	<u>Principal Balance</u>
August 10, 1986	91,715.67	4,642,892.72
November 10, 1986	94,925.72	4,547,967.00
February 10, 1987	98,248.12	4,449,718.88
May 10, 1987	101,686.80	4,348,032.08
August 10, 1987	105,245.84	4,242,786.24
November 10, 1987	108,929.44	4,133,856.80
February 10, 1988	112,741.97	4,021,114.82
May 10, 1988	116,687.94	3,904,426.88
August 10, 1988	120,772.02	3,783,654.86
November 10, 1988	124,999.04	3,658,655.81
February 10, 1989	129,374.01	3,529,281.81
May 10, 1989	133,902.10	3,395,379.71
August 10, 1989	138,588.67	3,256,791.03
November 10, 1989	143,439.28	3,113,351.76
February 10, 1990	148,459.65	2,964,892.11
May 10, 1990	153,655.74	2,811,236.37
August 10, 1990	159,033.69	2,652,202.68
November 10, 1990	164,599.87	2,487,602.81
February 10, 1991	170,360.86	2,317,241.94
May 10, 1991	176,323.49	2,140,918.45
August 10, 1991	182,494.82	1,958,423.63
November 10, 1991	188,882.14	1,769,541.50
February 10, 1992	195,493.01	1,574,048.49
May 10, 1992	202,335.27	1,371,713.22
August 10, 1992	209,417.00	1,162,296.22
November 10, 1992	216,746.60	945,549.62
February 10, 1993	224,332.73	721,216.90
May 10, 1993	232,184.37	489,032.53
August 10, 1993	240,310.82	248,721.71
November 10, 1993	248,721.71	0.00